

Message Text

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AMEMB VIENNA

C O N F I D E N T I A L SECTION 1 OF 2 USNATO 0104

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SUBJECT: NAC MEETING, 9 JAN 74, AGENDA ITEM III: FINANCIAL PROBLEMS
ARISING FROM THE STATIONING OF UNITED STATES FORCES IN EUROPE

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VIENNA FOR USDEL MBFR

SUMMARY. DESPITE HELPFUL EFFORTS BY SYG AND BELGIUM TO PROVIDE
MOMENTUM TO PROPOSALS IN PO/73/175 CALLING FOR REDUCTION IN US SHARES
OF NATO BUDGETS, "COUNT-ME-OUT" INTERVENTIONS BY UK AND FRG SET
NEGATIVE TONE TO DISCUSSIONS. ALTHOUGH REFERRAL OF PROPOSED
REDUCTIONS TO COGNIZANT COMMITTEES WAS AGREED AS A PROCEDURAL
MATTER, IT IS CLEAR THAT COUNCIL HAS STILL TO REACH SUBSTANTIVE
AGREEMENT. FRANCE REITERATED ITS DISASSOCIATION FROM THE ENTIRE
MATTER. END SUMMARY.

1. SYG LUNS LED OFF BY STATING THAT TASK OF COUNCIL IS TO FIND
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MEANS TO IMPLEMENT THE AGREEMENTS AND UNDERTAKINGS OF THE MINISTERS
AND INDICATED THAT HE HAS SUGGESTED IN PO/73/175 SOME POSITIVE
COURSES OF ACTION. HE SUGGESTED THAT, ON REFLECTION, THE
INFRASTRUCTURE COMMITTEE NOT BE LUMPED TOGETHER WITH THE MILITARY

AND CIVIL BUDGET COMMITTEES AS WAS DONE IN PARA 3(A) OF PO BUT RATHER SHOULD BE INVITED TO SUBMIT PROPOSALS FOR THE NEXT FIVE YEAR PROGRAM COMMENCING IN 1975 WITH THE EFFECT OF REDUCING THE US INFRASTRUCTURE SHARE TO CQP PER CENT INCLUDING EDIP. LUNS THEN MENTIONED APPROVINGLY AMBASSADOR RUMSFELD'S LETTER OF 4 JANUARY, SUGGESTING THAT THE INTERNATIONAL STAFF MONITOR TRANSACTIONS ON DEFENSE ACCOUNT ON A CONTINUING BASIS (PER REF B) AND EMPAHASIZED THE NEED TO HAVE THE US DEFINE THE MAGNITUDE OF THE OFFSET PROBLEM, ITSELF CONTINGENT UPON THE RESULTS OF THE US/FRG OFFSET NEGOTIATIONS. LASTLY, LUNS INSISTED UPON THE IMPORTANCE OF PARA 6 OF PO/73/175 UPDATING THE DATA ON THE US OVERALL BOP POSITION AS FORMING A CRITICAL ELEMENT OF THE ECONOMIC BACKGROUND OF THE WHOLE PROBLEM, NOTWITHSTANDING CONTRARY INDICATION IN RUMSFELD LETTER (PER REF C).

2. KRAPF(FRG) PROPOSED THE DELETION OF PARA 3(E), THE PROVISIONS CALLING FOR PROGRESS REPORTS ON THE US/FRG OFFSET NEGOTIATIONS, SAYING THAT AS SOON AS AGREEMENT IS REACHED, BOTH PARTIES WOULD INFORM THE COUNCIL. RUMSFELD CONCURRED IN FRG PROPOSAL.

3. RUMSFELD MADE POINT THAT WHILE HE RECOGNIZED THAT SECGEN WAS CORRECT THAT OVERALL BOP POSITION AFFECTED THE BROADER ECONOMIC BACKGROUND OF THESE DISCUSSION BUT WANTED TO MAKE CLEAR THAT THE JACKSON-NUNN AMENDMENT TAKES NO COGNIZANCE OF THAT FACTOR. DRAWING ON REF A GUIDANCE, RUMSFELD POINTED OU THE THE PRESIDENT IS REQUIRED TO REPORT TO THE CONGRESS ON PROGRESS TOWARD IMPLEMENTATION OF JACKSON-NUNN ON FEB 15 AND EVERY 90 DAYS THEREAFTER AND STRESSED THAT A PROMISING FIRST REPORT COULD BE IMPORTANT IN AFFECTING CONGRESSIONAL OPINION. HE STATED THAT HE HOPED THE ALLIES WOULD EXPEDITE ACTION INCLUDING AN ALLIED RESPONSE TO THE US ILLUSTRATIVE PROPOSAL PRESENTED TO NAC NOV 29. FINALLY, RUMSFELD AFFIRMED THAT--ANY MISCONCEPTIONS TO THE CONTRARY NOTWITHSTANDING--HE HAD BEEN AUTHORIZED TO STATE THAT THE LETTER SENT BY SECRETARY SCHLESINGER TO HIS FELLOW DEFENSE MINISTERS SHORTLY BEFORE THE DECEMBER MEETING STILL STANDS.

4. DE STAERCKE (BELGIUM) NOTING TREND IN US OVERALL BALANCE OF CONFIDENTIAL

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PAYMENTS AND RECENT IMPRESSIVE STRENGTH OF THE US DOLLAR OF EUROPEAN MONEY MARKETS, STRESSED THE IMPORTANCE OF OVERALL BALANCE OF PAYMENTS CONSIDERATIONS AND STATED THAT THE JACKSON-NUNN AMENDMENT CANNOT BE SEPARATED FROM ITS ECONOMIC BACKGROUND POINTING OUT THAT IF THE ECONOMIC SITUATION DETERIORATES FURTHER DEFENSE EFFORTS OF THE ALLIES COULD THEMSELVES BE JEOPARDIZED. HE INDICATED THAT BELGIUM IS READY TO STUDY A REDUCTION OF THE US SHARE OF NATO BUDGETS ON THE CONDITION THAT SUCH REDUCTION BE SHARED BY OTHER ALLIES ON A PRO RATA BASIS. DE STAERCKE WAS HELPFUL IN POINTING OUT THAT -- INDEPENDENT OF BALANCE OF PAYMENTS CONSIDERATIONS-- RELIEF ALONG THESE LINES WOULD ONLY BE FAIR, CONSIDERING THE LARGE SHARE THE US HAS SHOULDERED IN THE PAST. HE LEFT OPEN THE QUESTION

OF WHETHER SUCH RELIEF SHOULD BE CONTINUING OR RATHER ONLY OF A TIMPORARY NATURE SUBJECT TO PERIODIC REVIEW. ON THE QUESTION OF THE MILITARY BALANCE OF PAYMENTS, HE INDICATED THAT BELGIUM STILL VIEWS IT AS A PRIMARILY MULTILATERAL PROBLEM. HOWEVER, SINCE SOME NATIONS COUND NOT AGREE, IT SHOULD BE ATTACKED BILATERALLY, WITH EACH ALLYCHARGED WITH OFFSETTING THE US MILITARY EXPENDITURES IN THAT COUNTRY. HE STATED THAT, IN ANY CASE, THE US PROPOSAL OF SHARING THE MILITARY BALANCE OF PAYMENTS DEFICIT ON A MULTILATERAL BASIS DID NOT SEEM WORKABLE. DE STAERCKE CONCLUDED THAT IF EUROPEAN ECONOMIC SITUATION DETERIORATED FAR ENOUGH, IT MIGHT BE THAT THE EUROPEANS WOULD BE OBLIGED TO TURN TO THE US FOR RELIEF FROM THEIR MILITARY BALANCE OF PAYMENTS DEFICIT.

5. PECK(UK) RESTATED, UNDER INSTRUCTIONS, THE EARLIER UK POSITION THAT THERE CAN BE NO QUESTION OF A BRITISH CONTRIBUTION TO ANY OF THE NATO MULTILATERAL OPTIONS. WITH THIS PROVISION HE INDICATED THAT THE UK COULD GO ALONG WITH THE REFERAL TO COMMITTEES PROPOSED IN PARA 3 AS A PROCEDURAL MATTER. HE POSED THE REHETORICAL QUESTION, QOOTE WHY SHOULD THE UK AS A COUNTRY WITH A BALANCE OF PAYMENTS PROBLEM RELATIVELY MORE SEVERE THAN THAT OF THE UNITED STATES BE OBLIGED TO REDUCE COMBAT FORCES IN EUROPE TO EASE THE PROBLEM OF THE US WHICH IS RELATIVELY BETTER SITUATED? UNQUOTE. PECK QUESTIONED THE VALIDITY OF JACKSON-NUNN BASED PURELY ON MILITARY ACCOUNT AND INDICATED THAT ONLY ONE COUNTRY IN NATO HAS A POSITIVE MILITARY BALANCE OF PAYMENTS. -ALSO OTHERS HAVE A DEFICIT AS DOES THE U.S.

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6. SVART (DENMARK) INDICATED THAT SINCE THE MINISTERIAL DISCUSSIONS HIS AUTHORITIES HAVE BEGUN TO INVESTIGATE THE AMOUNT OF

MILITARY PURCHASES IN THE US. HE INDICATED THAT THERE WOULD BE DIFFICULTY IN PROVIDING SUCH DATA ON A US FISCAL YEAR BASIS SINCE THE DANISH FISCAL YEAR DOES NOT CORRESPOND AND THAT DATA ON FIRM-TO-FIRM TRANSACTIONS WOULD BE MOST DIFFICULT IF NOT IMPOSSIBLE TO DEVELOP. NOR COULD DENMARK MEET THE 31 JAN 74 DATE SET BY PO FOR REPORTING RESULTS OF INVESTIGATIONS

7. KRAPF (FRG) STATED THAT GERMANY COULD CONCUR IN THE PO ON THE SAME BASIS AS THE UK AND THAT THE FRG CONTRIBUTION TO RESOLUTION OF THE TOTAL PROBLEM WOULD BE THE OFFSET AGREED BILATERALLY WITH THE US.

8. CHORAFAS (GREECE) STATED THAT GREECE COULD CONCUR WITH THE PO PROVIDING IT IMPLY NO COMMITMENT FOR ANY ADDITIONAL BURDEN SINCE GREECE IS NOT IN A POSITION TO ADD ANYTHING TO CURRENT DEFENSE EXPENDITURES.

9. DE ROSE (FRANCE) CHARACTERIZED PROPOSALS OF PO AS THOSE OF FOURTEEN WITH WHICH FRANCE HAS NOT BEEN ASSOCIATED AND DESCRIBED CONFIDENTIAL

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THE DECISION BEING TAKEN AS A DECISION OF THE FOURTEEN TO WHICH FRANCE RAISES NO OBJECTION BUT IN WHICH FRANCE DOES NOT JOIN. DE STAERCKE (BELGIUM) MADE ELOQUENT PLEA THAT FRANCE BE MORE FORTHCOMING IN THIS AREA IN THE INTEREST OF THE SOLIDARITY OF THE ALLIANCE, STRESSING THAT THE PROBLEM IS ONE OF THE ALLIANCE, NOT OF INTEGRATION.

10. CATALANO(ITALY) SEIZED UPON BELGIUM'S EFFORT TO INFLUENCE FRANCE TO PROPOSE THAT THE MATTER BE POSTPONED UNTIL NEXT WEEK. DE ROSE RESPONDED THAT THE FOURTEEN NEED NOT DELAY ON FRANCE'S ACCOUNT, BUT POINTED OUT THAT ALTHOUGH THE PO SPEAKS OF REDUCING THE US SHARE BY 30 PCT, SEVERAL COUNTRIES AROUND THE TABLE HAD INDICATED THAT THEY DO NOT PLAN TO PICK UP ANY PART OF IT, AND OTHERS COULD BE HELPFUL ONLY IF ALL ALLIES PARTICIPATED.

11. LUNS POINTED OUT THAT THERE WERE NO IMPOSED SOLUTIONS, THAT THE COUNCIL WAS JUST EXPLORING THE POSSIBILITIES AND THAT IT WAS POSSIBLE THAT THE WHOLE EXERCISE BE OVERTAKEN BY ECONOMIC EVENTS. HE WOUND UP THE DISCUSSION WITH AGREEMENT THAT THE PROPOSED REDUCTIONS WOULD BE REFERRED TO COMMITTEES AS PROPOSED IN THE PO, AS A PROCEDURAL MATTER, BUT THAT THE COUNCIL WOULD HAVE TO DELIBERATE FURTHER IN SEEKING AGREEMENT ON SUBSTANTIVE COMMITMENT.

12. USNATO COMMENT: IT IS SUGGESTED THAT CONSIDERATION BE GIVEN BY WASHINGTON TO NEED TO WEIGH IN AT THE AMBASSADORIAL/ MINISTERIAL LEVEL IN LONDON , PARIS AND BONN TO PERSUADE THE UK AND THE FRG THAT VISIBILITY OF MULTILATERAL PROGRESS ON BURDENSARING IN THE FORM OF REDUCTION OF US SHARES OF NATO BUDGETS IS A INGREDIENT TO SHAPING FAVORABLE CONGRESSIONAL ATTITUDES IN THIS AREA, INCLUDING THE CLIMATE IN WHICH THE TERMS

OF THE JACKSON-NUNN AMENDMENT ARE APPLIES AND
INTERPRETED. IN REFUSING TO PARTICIPATE IN A REDUCTION OF
THE US SHARE OF NATO BUDGETS ON A PRO RATA (OR ANY OTHER) BASIS, BOTH
THE UK AND FRG ARE PUTTING IN JEOPARDY FAR MORE THAN THE
COMPARATIVELY NOMINAL AMOUNTS THAT WOULD BE INVOLVED. THIS IS
SO BECAUSE NATO BUDGETS PROVIDE THE MOST VISIBLE AND STRIKING
DEMONSTRATION OF ALLIED WILLINGNESS TO HELP SOLVE THE US PROBLEM.
REFUSAL BY THE UK AND THE FRG TO PARTICIPATE IN
SUCH REDUCTIONS DEPRIVES THE ADMINISTRATION AND NATO OF WHAT
SHOULD BE ONE OF OUR MOST PERSUASIVE ARGUMENTS WITH THE CONGRESS,
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THE IMPACT OF THEIR REFUSAL--POSITIVE OR NEGATIVE--WILL BE
(BECAUSE OF ITS HIGH VISIBILITY) DISPROPORTIONATE TO THE AMOUNTS
INVOLVED, AND COULD EFFECT VOTE ON MANSFELD AMENDMENT LATER THIS
YEAR.
END COMMENT
RUMSFELD

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